

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

HS-28

February 18, 1939



THE HOG SITUATION

Summary

The seasonal reduction in slaughter supplies of hogs now in progress probably will continue through March, but the Bureau of Agricultural Economics expects a rather marked seasonal increase in supplies after March, as marketings of fall pigs get underway in large volume. During the last half (April-September) of the present marketing year, hog slaughter probably will be considerably larger than that of a year earlier, reflecting chiefly the 18 percent increase in the 1938 fall pig crop over that of 1937.

Consumer demand for meats in the next few months may not show much change compared with the demand in the past 2 months, but some further improvement is expected by summer.

Prices of hogs rose moderately during the last half of January and in early February, as marketings were seasonally reduced. Inspected hog slaughter in January was about 7 percent smaller than in December and also about 4 percent smaller than in January 1938. The spread between prices of light and heavy hogs has widened somewhat in the past 2 months, but it is still much narrower than the relatively wide spread a year ago.

Slaughter supplies of hogs in the current marketing year are expected to total at least 15 percent larger than in 1937-38. A large increase in the 1939 spring pig crop is in prospect. And if feed crop production this year is near average, market supplies of hogs in the 1939-40 marketing year (beginning October 1) will be materially larger than in the present year

and may equal or exceed the 1929-33 average. This would represent a recovery in hog production to the level prevailing before the 1934 drought.

Exports of both pork and lard in the calendar year 1938 were the largest since 1934, but they were much smaller than in the years prior to 1934. Imports of pork were substantially smaller than in 1937. It is expected that there will be a further increase in exports of pork and lard during the present year in view of the larger hog slaughter in prospect and a somewhat broader foreign outlet for hog products resulting from the trade agreement recently concluded by the United States and Great Britain.

REVIEW OF RECENT DEVELOPMENTS

Background:- Hog marketings in the first 3 months of the present marketing year, which began October 1, 1938, were about 16 percent larger than those of a year earlier. This increase is chiefly a reflection of the larger spring pig crop in 1938 than in 1937. The market movement of spring pigs in substantial volume got underway earlier than usual in the summer of 1938, and marketings increased considerably from August through December. As a result of this increase in marketings prices of butcher hogs declined about \$2.40 per 100 pounds from late July to late December.

Hog prices rise in January

Prices of hogs rose moderately in the last half of January and in early February, after having held fairly steady during the first half of January. The average price of butcher hogs at Chicago for the week ended February 11 was \$7.70 compared with \$7.25 for the week ended January 7. The advance in prices in recent weeks was due chiefly to the seasonal reduction in market supplies of hogs.

The range in prices of different weights of hogs has been relatively narrow thus far in the present marketing year in contrast to the relatively wide spread between prices of light and heavy hogs prevailing in the winter of 1937-38. Although this spread has widened somewhat in the past 2 months, the weekly average price of 200-220 pound hogs at Chicago in early February was only about 50 cents higher than the price of 290-350 pound hogs, whereas a year earlier it was about \$1 higher.

Hog slaughter reduced in January

Inspected hog slaughter in January, totaling 4,043,000 head, was about 300,000 head smaller than in December, and about 150,000 head smaller than that of January last year. Average weights of hogs in January were seasonally heavier than in December and they also were heavier than a year earlier.

Hog-corn price ratio continues above average

January was the 16th successive month in which the ratio between hog prices and corn prices has been above the long-time average. In the North Central States (Corn Belt) the hog-corn price ratio, based on mid-month prices received by farmers, was about 17.4 for January compared with about 17.1 in December and 15.8 in January last year. The high ratio and the large feed supplies already have been reflected in relatively heavy weights of hogs marketed and in increases in the spring and fall pig crops of 1938.

Seasonal increase in pork and lard stocks

Storage holdings of pork and lard increased seasonally in January. The increase in stocks of both pork and lard, however, was somewhat less than in January last year. February 1 stocks of pork totaled 524 million pounds, about 30 million pounds smaller than a year earlier and smaller than the 1933-37 average for February 1. Stocks of lard on February 1 were about 23 percent larger than a month earlier and also were larger than the 1933-37 average for that date.

Storage holdings of pork and lard on the first of the month,
October-February, average 1933-37, 1937-38 and 1938-39

Month	5-year average		1937-38		1938-39	
	1933-37					
	Pork	Lard	Pork	Lard	Pork	Lard
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
Oct.:	415	108	283	73	277	90
Nov.:	372	83	266	39	252	68
Dec.:	425	80	307	34	299	74
Jan.:	560	98	399	54	430	107
Feb.:	630	118	554	99	1/ 524	1/132

1/ Preliminary.

Exports of pork and lard increase in 1938

Exports of pork totaled about 96 million pounds in the 1938 calendar year, and were the largest since 1934. Lard exports of about 205 million pounds also were the largest since 1934. Exports of pork exceeded those of a year earlier in every month of 1938, and lard exports were larger than a year earlier in each of the first 10 months of 1938. Our exports of pork in 1938 were equivalent to the pork production from about 620,000 hogs and our lard exports were equal to the lard output from nearly 6,900,000 hogs. Inspected hog slaughter in 1938 totaled 36.2 million head.

Imports of pork for the calendar year 1938 totaled 52.4 million pounds compared with 74.8 million pounds in 1937. Except for 1937, pork imports for 1938 were the largest on record. During the past year, however, imports of pork have decreased while pork exports have substantially increased. This is probably a reflection of the increase in domestic slaughter supplies of hogs in 1938 than in 1937.

The upward trend in exports of pork and lard probably will continue in 1939. This increase will be due in considerable measure to the larger hog slaughter in this country, but it will also reflect to some extent a broader foreign outlet for hog products, particularly in the United Kingdom. Under the trade agreement recently concluded by the United States and Great Britain, total imports of bacon and hams permitted entry into Great Britain from the United States in 1939 will be about 61 million pounds, whereas in 1938 the total United States quota for these products was about 48 million pounds. The removal of the British duty of 10 percent ad valorem on lard also will tend to stimulate imports of lard from the United States. But it should be noted in connection with exports to Great Britain in 1939, that the recent decline in the exchange value of the British pound in terms of dollars will cause exports during the year to be smaller than they otherwise would have been.

Exports of lard to specified countries, average 1929-33, annual
1934-38

Country to which exported	Average 1929-33	1934	1935	1936	1937	1938
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
United Kingdom	254	282	65	64	75	125
Cuba	45	26	24	31	41	.47
Mexico	52	37	1	2	7	7
Germany	151	27	2	7	2	2
Netherlands	40	9	1/	1/	1/	1/
Other countries	102	54	5	8	12	24
Total	644	435	97	112	137	205

United States Department of Commerce. Figures include neutral lard.

1/ Less than 500,000 pounds.

Exports of bacon, hams and shoulders to specified countries,
average 1929-33, annual 1934-38

Country to which exported	Average, : 1934 : 1935 : 1936 : 1937 : 1938					
	: 1929-33 :	: Mil. lb.				
United Kingdom ...:	102	58	49	38	35	47
Cuba	14	9	6	4	3	4
Other countries ..:	39	16	6	4	5	11
Total	155	83	61	46	43	62

United States Department of Commerce. Cumberland and Wiltshire sides excluded.

OUTLOOK

A fairly complete discussion of the outlook for hogs was given in the January issue of the Hog Situation. Briefly summarized, the important points given with respect to the outlook in that issue were as follows:

1. Slaughter supplies of hogs in the 1938-39 marketing year, which began last October, will be materially larger than in 1937-38. It is probable that inspected hog slaughter for 1938-39 will total approximately 40 million head compared with 34.6 million head in 1937-38. This increase in slaughter will be a reflection of the increases--of 13 and 18 percent, respectively--in the spring and fall pig crops of 1938 over those of 1937.

2. A further marked increase in the 1939 pig crops is expected. On the basis of breeding intentions reported by farmers about December 1, 1938, it was estimated that the number of sows to farrow in the spring of 1939 would be about 21 percent greater than the number that farrowed in the spring of 1938. If feed crop production is about average this year, it is probable that the 1939 fall pig crop also will be larger than that of 1938. It is not unlikely, therefore, that the total pig crop (spring and fall crops combined) this year will be 80 million head or more, which would be 13 percent greater than the total crop of 1938 and about equal to the 1929-33 average.

3. If the total pig crop in 1939 should be as large as 80 million head, inspected hog slaughter in 1939-40 would total about 46 million head. Such a slaughter would be the largest since 1932-33 and would be about equal to the 1929-33 average.

4. The effects of the larger market supplies upon hog prices in 1938-39 will be partly offset by improvement in consumer demand for meats.

5. No definite indication of the probable level of hog prices in 1939-40 is now possible. But if hog slaughter in 1939-40 should be about equal to the 1929-33 average, it would be about 15 percent larger than the slaughter in 1938-39 and nearly 35 percent greater than the 1937-38 slaughter. If supplies should be this large in 1939-40, hog prices in that year will average lower than in the present year unless consumer demand for meats and national income increase materially.

Seasonal changes in marketings

The seasonal reduction in hog marketings now in progress probably will continue through March. Inspected slaughter in January not only was smaller than in December, but it also was smaller than a year earlier. Slaughter may continue smaller than a year earlier in February and March at least, despite the fact that the 1938 spring pig crop was 13 percent larger than that of 1937. In the December issue of the Hog Situation it was stated that marketings of spring pigs had begun earlier than usual in the summer of 1938, and because of this it was indicated that the proportion of spring pigs remaining on farms on January 1, 1939, probably would be smaller than a year earlier. As spring pigs make up the bulk of the marketings in the winter months, the unusually heavy movement of such pigs before January 1 may cause marketings for the January-March quarter to be smaller than a year earlier.

After March hog marketings are expected to increase seasonally as fall pigs begin to be marketed in large volume. With an increase of 18 percent in the 1938 fall pig crop over that of 1937, it is probable that market supplies of hogs in the last half (April-September) of the current marketing year will be larger than in the corresponding period last year.

Consumer demand for meats is not expected to change greatly from present levels in the next few months, although it may improve somewhat further by summer. Changes in hog prices in the spring and summer probably will reflect chiefly the changes in slaughter supplies of hogs.

Annual Livestock Inventory, January 1

The annual report of the number and value of livestock on farms, was released by the Crop Reporting Board February 16. Copies may be obtained on request from the Division of Economic Information, Bureau of Agricultural Economics, Washington, D. C.

The number of hogs on farms on January 1, 1939 was estimated to be 49,011,000 head compared with 44,218,000 head on January 1, 1938. Increases in numbers were reported for all regions, except the Western States, where no change was indicated. Further discussion of the changes in hog numbers will be given in the March issue of this report.

Prices of hogs and hog products, specified periods

Item	Unit	:Jan. 1938	:Dec. 1938	:Jan. 1939	:Average 1928-29 1936- to 1932-33	Oct.	Sept.	Oct.-Jan.
						Oct.	Sept.	Oct.-Jan.
						1/	37	38
Average price:		:Dollars						
Seven markets.....	:per 100 pounds							
Chicago.....	: do	7.81	7.15	7.21	1/	10.28	8.33	8.44
U.S. average price received by farmers...	: do	7.91	7.24	7.30	6.99	10.49	8.47	8.62
								7.51
Prices of hog products, :								
Chicago:								
Loins, 8-10 lb.....	: do	15.45	14.28	14.76	17.07	22.28	19.68	17.98
Hams, smoked, reg. :								15.80
No. 1, 10-12 lb.....	: do	23.56	21.00	21.38	20.31	24.65	23.56	23.83
Bacon, smoked, No. 1.:								21.50
dry cured, 6-8 lb....	: do	27.69	21.50	21.50	23.71	28.58	26.99	29.20
Lard, refined, :								22.23
H.W. tubs.....	: do	10.06	7.94	7.72	9.68	13.13	9.90	10.80
								8.13
Average price of No. 3 : cents:								
yellow corn, Chicago...:per lb:		59	51	52	62	115	57	58
Hog-corn price ratio: 2/:								48
Chicago.....	: Bushel	13.3	14.2	14.2	11.6	9.2	14.8	14.7
North Central States..	: do	15.8	17.1	17.4	12.9	9.4	17.6	17.7
								18.5
Proportion of packing :								
sows in total packer :								
and shipper purchases, :Per-								
seven markets 3/.....:bent		3.0	5.0	4.0	1/	15.0	13.0	8.0
Average weight at seven :								7.0
markets.....:Pound		240	237	244	1/	231	246	234
								233

1/ Not available.

2/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.

3/ Monthly figures computed from weekly averages.

HS-28

- 7 -

Supplies of hogs and hog products, specified periods

Item	Unit	Dec.	Nov.	Dec.	Oct.-Sept.	Average:	Oct.	Dec.
					1928-29			
					1936-			
Hog slaughter								
under Federal								
inspection:								
Number	Thou-							
slaughtered 1/	sands	3,958	3,913	4,346	46,363	34,142	34,580	9,954
Live weight:								11,570
Average.....	Pound	229	224	230	231	221	234	227
Total.....	Mil.lb.	905	878	1,002	10,723	7,538	8,039	2,258
Dressed weight:								
Average.....	Pound	172	167	174	175	164	175	169
Total.....	Mil.lb.	681	652	757	8,069	5,585	6,046	1,682
Yield of lard								
per 100 pounds								
live weight of								
hogs.....	Pound	12.4	12.0	13.5	15.2	10.9	12.4	11.2
Production of								12.6
lard.....	Mil.lb.	112	106	135	1,630	833	1,002	256
Apparent cons.:								
Pork, including								
lard 2/.....	do	545	574	575	7,171	5,601	5,795	1,521
Lard.....	do	70	83	83	961	756	777	215
Exports: 3/								
Pork.....	do	7	11	8	211	59	89	20
Lard.....	do	22	16	19	657	107	208	60
Imports of pork 3/....	do	5	4	5	6	72	57	16
Proportion of sows in:								
inspected								
slaughter 4/.....	Percent	44.5	43.7	42.9	51.2	51.1	49.9	48.4
								44.6

1/ Bureau of Animal Industry.

2/ Represents apparent disappearance of federally inspected pork plus unrendered hog fats.

3/ United States Department of Commerce. Pork includes bacon, hams and shoulders, and fresh, canned, and pickled pork. Lard includes neutral lard.

4/ Includes gilts.